

Q3 2017



Manhattan Beach Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

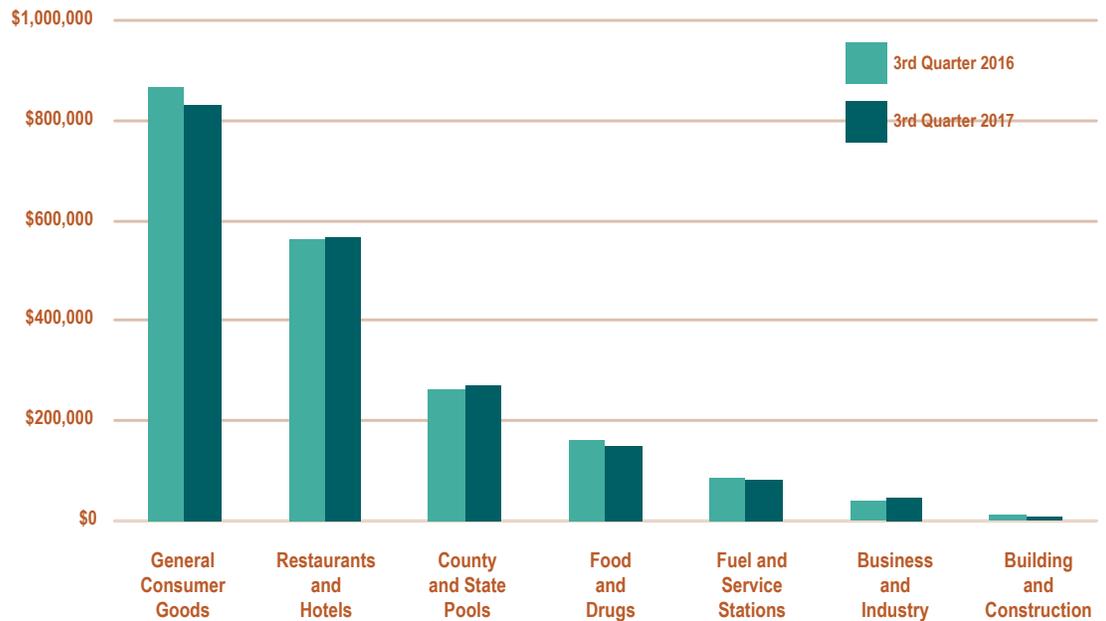
Manhattan Beach In Brief

Manhattan Beach's allocation of sales and use tax from its July through September sales was 0.5% lower than the summer quarter of 2016. Factoring for accounting anomalies, actual sales activity was down 1.8%.

A soft quarter for most categories of general consumer goods and some categories within the food-drugs group along with hotel-restaurant renovations were the primary factors contributing to the actual decrease. The losses were partially offset by a solid quarter for auto related sales.

Net of aberrations, sales and use tax receipts for all of Los Angeles County rose 3.1% over the comparable time period while the Southern California region as a whole, was also up 3.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apple	Old Navy
BevMo	Olive Garden
Chevron	Ralphs Fresh Fare
Circle K	REI
Frys Electronics	Sephora
Houston's	Strand House Standbar
Kettle	Target
Macys	Tin Roof Bistro
Manhattan Beach Post	Toyota Lease Trust
Manhattan Beach Toyota Scion	Trader Joes
Manhattan Gas & Mart	True Religion
Nick's	Vons
	Wrights

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$3,953,389	\$4,018,019
County Pool	560,969	551,158
State Pool	1,372	457
Gross Receipts	\$4,515,729	\$4,569,633

Statewide Trends

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.6% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

Cannabis Taxation

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

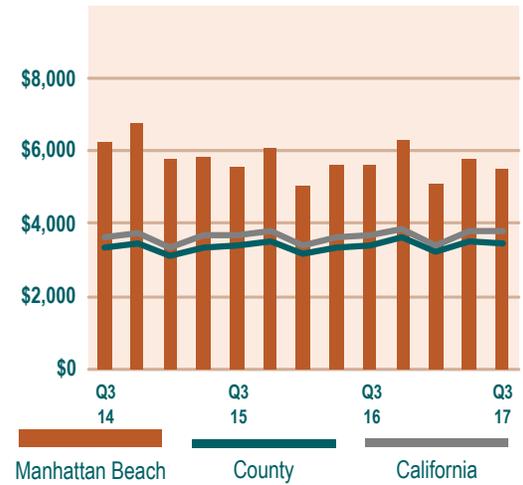
Sales Tax and Natural Disasters

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

SALES PER CAPITA



COUNTY OVERALL 3Q YOY RECEIPTS % CHANGE

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	-0.6%	-0.8%
Building and Construction	5.8%	7.4%
Business and Industry	10.2%	4.6%
Food and Drugs	3.8%	1.5%
Fuel and Service Stations	3.8%	6.2%
General Consumer Goods	0.2%	0.4%
Restaurants and Hotels	4.6%	3.8%
County and State Pools	6.7%	7.2%
Total	3.6%	3.1%

*Accounting anomalies factored out

REVENUE BY BUSINESS GROUP
Manhattan Beach This Quarter

